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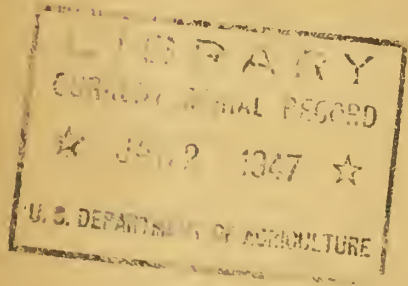
# Foreign Crops and MARKETS



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Year-End Summary of World Agricultural Production and Trade Covering Both  
1947 and Long-Run Prospects



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## L A T E   N E W S

Czechoslovak milk production increased by 15 percent since November 1945, according to a December 13th announcement of the Food Minister. The Minister expressed the hope that milk could be removed from rationing in 1947.

The Buenos Aires press on December 12 announced the completion of a commercial agreement between Argentina and Venezuela under which Venezuelan petroleum will be exchanged for Argentine food products.

Mexico is not expected to have any significant increase in oilseed production during 1946-47, with the possible exception of flaxseed and sesame. In view of the shortage of fats and oils in Mexico the belief is that the country will not be in a position to export appreciable quantities of oils other than flaxseed during 1947.

The food supply situation in Panama continues bad, though reports of increased shipments of foodstuffs from the United States and Argentina have tended to relieve the tension in certain needed commodities. Meat continues in short supply, but butter, edible fats, and oils remain available only in limited amounts and at comparatively high prices.

The Mexican Minister of Agriculture stated that there had been an outbreak of cattle disease in the States of Vera Cruz and Puebla. Preliminary diagnosis by the new Ministry veterinarians referred to the disease as "infectious stomatitis."



## EXPORT PROSPECTS FOR FARM PRODUCTS: YEAR-END SUMMARY

United States agricultural exports in 1947 will continue large, but probably below the level reached during the critical emergency in the first half of 1946. United States supplies of most crops and livestock products will be large, assuming normal crops next summer. However, large domestic demand and in some cases depleted stocks will tend to limit quantities available for export.

Foreign demand for American agricultural products, such as grains, will remain high as a result of emergency conditions still prevailing in large areas of Europe and Asia, but in general the foreign need will be less pressing than during the few months preceding the 1946 harvest. Critical shortages may develop again in a number of European countries before the 1947 crop becomes available. Price competition will gradually become a more significant factor in world markets.

Two factors of general importance are the change in financial conditions under which foreign countries can obtain our products, and extensive trade controls still in effect in most countries. The effect of these will be unimportant as to products in scarce supply in many countries, such as wheat, meats, lard, most dairy products, and possibly dried eggs. Domestic and foreign demand will absorb much of the record 1946 tobacco crop if prices remain high, as at present. Effects of financial and trade control factors are likely to be felt more strongly upon cotton, fruits, and vegetables.

Most countries will have to rely on their own exchange reserves for more than four-fifths of their prospective 1947 imports of American farm products, whereas nearly half of such exports during the first 6 months of the current year consisted of lend-lease, UNRRA, and private relief exports. The increase during the war in foreign holdings of gold and dollars has been confined mostly to neutrals and Western Hemisphere countries, only a few of which had been important prewar buyers of our products.

The prospect is that we will remain dependent upon the Western European participants in the war and Japan, which figured as large prewar buyers, for a large part of our foreign sales of farm products, even though the market in other countries should expand considerably. The level of buying power in these countries for American farm products in 1947 will depend to a large extent upon the amount of dollars they will receive in international loans. The total of dollars which will be used in payment for exports in 1947 from such sources as the Export-Import Bank, the International Bank for Reconstruction and Development, the operations of the International Monetary Fund and, various national and private loans may amount to several billion dollars. By far the larger part of this will be used for capital goods and only the smaller part for farm products.

Countries in balance of payment difficulties will continue import control. However exercised, these will substitute arbitrary government determinations for the choice of consumers, and governments after minimum food needs are met are likely to give preference to importation of capital goods and raw materials.

As to long-run prospects, the determining factors will be the development of agricultural products here and abroad, the demand conditions in the trading countries, the extent of future government intervention in national economies and international trade, and the extent to which such intervention will be subjected to international regulation. The long-run development of these factors is still rather uncertain. Some prospective trends can be foreseen.

The trend of world agricultural production probably will be upward for some time. The effect of production expansion on world markets will depend ultimately upon how much of their output the surplus-producing countries will wish to export, and on how much of their requirements the deficit-producing countries will be willing to supply by means of imports.

So far as United States agriculture is concerned, the chief question is how the domestic market will develop. Should employment be well maintained and the national income be expanded at a greater rate than agricultural production, it is likely that the dependence of American farmers on foreign markets will continue the decline evident since the turn of the century, and the upward trend of agricultural imports would continue. However, in other Western Hemisphere exporting countries, continued production expansion may bring pressure for expansion of foreign markets, even at the cost of reduced prices. This price competition would be felt by our export trade, particularly should we continue to support domestic prices above those of other countries.

If exporting countries are faced with a continuation of self-sufficiency, price-and-income supports, and monopoly state trading in importing countries, they are likely to have extensive recourse to subsidies and similar devices in defense of their foreign markets.

The United States has undertaken strong efforts to prevent the trend toward increased unilateral governmental intervention from impeding the development of international trade. Proposals to set up an International Trade Organization have been studied by a preparatory conference in London. A "nuclear group" of 18 countries including the United States have undertaken to negotiate for exchange of tariff-reduction and tariff-preference concessions.

A special chapter on international commodity agreements, included in the draft Charter for an International Trade Organization, calls for commodity studies leading to the conclusion of international agreements to regulate production, international trade and prices of commodities in burdensome surplus, and to promote, so far as possible, the expansion of consumption.

Another set of proposals dealing with international agricultural commodity problems, submitted through the Food and Agriculture Organization of the United Nations, is currently under study by an FAO preparatory commission on world food plans. The purpose is to improve diets to a health standard throughout the world, and stabilize prices of agricultural commodities.

Moderate optimism seems to be justified by the fact that there is widespread recognition--even while a shortage situation persists--of the danger of recurrence of a surplus period with the trade wars that could result from unlimited and uncoordinated intervention by the various governments.



## COMMODITY DEVELOPMENTS

GRAINS, GRAIN PRODUCTS, AND FEEDSGrains

The world grain situation at the end of 1946 provides a sharp contrast of favorable and unfavorable factors. Even though this year's total world grain production is estimated to be 10 percent larger than the small 1945 grain crop and slightly above average, geographic distribution of the increased production will limit its most effective utilization in meeting the world's food needs. The increased production this year also is attributed in large part to corn and oats, the use of which as direct human food is somewhat limited.

Record crops of wheat, corn, and oats, in the United States, and above-average crops of the principal grains in Canada account for a large part of the increase in the 1946 world grain total, but supplies available for export from these areas during the first half of the 1946-47 year have been limited for several reasons. Depleted reserves carried over from the 1945 harvest, transportation difficulties, and the delay caused by the maritime strikes, all have combined to hamper the recent movement of grain into world trade. About 7 million long tons of wheat and flour are estimated to have been exported from the United States and Canada during July-December 1946, compared with about 11.3 million tons for a similar period last year. During the July 1, 1945-June 30, 1946 year, 20.5 million tons were exported.

Exports of wheat and flour from the four principal exporting countries during the 1945-46 year totaled about 23-1/2 million long tons (875 million bushels), and when other grains and their products are added, the total approaches 28 million tons. For the first half (July-December) of the 1946-47 year, the total exports of all grains and their products, again from the four countries, probably will not exceed 11 million tons. This being the case, the larger part of the grain supplies available for export from these sources during the 1946-47 year remain to be shipped during the January-June period. Exports of grain from other areas, notably Turkey, the Middle East, and the Soviet Union, will account for only a relatively small part of the total world trade this year.

The 1946 world breadgrain (wheat and rye) production was somewhat larger than in 1945, but about 5 percent below average. Most of the reduction from average was in the rye crop, which was one of the smallest on record. Wheat production, in contrast, was estimated to be the largest since 1940, and only slightly less than average. The first official estimate places the Argentine wheat crop at 218 million bushels, or about average.

The Australian crop is now estimated at 120 million bushels, which is considerably below average and under earlier expectations. Continued deterioration in draught-stricken areas of New South Wales and Queensland accounts for the lower estimate.

Prospects for the 1947 winter wheat crop are reported to be generally favorable in Europe, where the bulk of the wheat is fall sown. The weather was favorable for seedings, and the crop went into the winter in good condition in most areas. Weather conditions have been excellent in most of the winter-wheat area of the United States. The acreage seeded to winter wheat in the United States for harvest in 1947 is estimated at 56 million acres. This compares with 52 million acres seeded a year ago and 47 million for the 10-year (1935-44) average. Based on December 1 conditions, an acreage of this size could be expected to produce about 946,000,000 bushels.

Present indications are that during the first half of 1947 and into the summer months, rail, port, and shipping facilities seem likely to be the most important limiting factors in the export of wheat and other grains from the United States. It is also indicated that world demand for bread-grains will continue strong during the remainder of 1947, although perhaps of a less critical nature as depleted reserves of grain are restored, especially if the improvement in crop production noted in 1946 for many of the war-torn areas of the world continues through the 1947 harvest.

### Rice

Restoration of the prewar level of rice production, 7,400 million bushels, depends very largely on recovery of production in Asia. Supplies to bring the volume of rice entering into international trade to prewar levels must come from the export producing areas of Burma, Siam, and Indochina. With the rehabilitation of producing and marketing facilities in these areas, both production and supply conditions are being improved, but a return to the prewar output level cannot be expected within the next 12 months.

World rice production for the period of August 1946 through July 1947 is estimated at about 10 percent larger than the estimated 6,300 million bushels in the preceding year, but even if this level is reached, the crop will still be 5 to 10 percent below the 1935-39 production.

Crops larger than those of the preceding year are being harvested in China, Japan, and India, but in none of these countries is production expected to equal the consumption needs. The Asiatic crop in general is better than in 1945-46 but with extra heavy demands from consuming countries, movements of rice from surplus to deficit countries is not expected to exceed 25 percent of the prewar volume.

Rice stocks at the outset of the season appear to be extremely low in the exporting countries, as well as in China and India, which produce and



consume most of the world's rice. Exportable supplies available from surplus countries seem certain to continue below the prewar volume, and the need for rice in China and India is not likely to be relieved during the coming year.

The 1946 United States record crop of 71.5 million bushels was 3.4 million bushels greater than the 1945 crop. Although it is too early to appraise the crop situation in Central and South America, the acreage of recent years is expected to be maintained.

Rice shipments from the Western Hemisphere to the Eastern Hemisphere, which reverses the historic direction of trade, are likely to continue **through** the next year. If this movement ceases Europe may continue to be an outlet for American rice until such time as the production of the Far East becomes sufficient to provide more than the minimum import demands of Asiatic importing countries.

It seems certain that China, India, and other deficit countries will require more rice than their normal sources of supply will provide in 1947. The expectation now is that the supplying countries of Asia will not reach the prewar volume of production within the next 2 or 3 years.

#### FATS AND OILS

The scramble for the world's limited supplies of fats and oils, which bid the prices of oil-bearing materials to record highs in 1946, despite allocations of the IEFC, seems likely to continue in 1947, at least until the season's crop of oilseeds in the Northern Hemisphere becomes available. Production of fats and oils in 1947 may be considerably above that of 1946, and the quantities **available** for utilization during the last half of the year should be increased in most parts of the world. Production in 1946 is estimated to be only about 80 percent of prewar.

Fats and oils available for international trade in 1947 are expected to exceed those of 1946 by 10 or 20 percent and may raise the total from about 2.8 million to 3.3 million short tons.

The current world-wide shortage of fat and oil supplies can be attributed (1) to the almost complete abandonment of the copra and coconut-oil industry in the Pacific Islands while under Japanese domination, (2) to decline of production of soybeans and other oilseeds in the Asiatic countries and to the inability to move such supplies as were produced to the world market, and (3) to sharp reduction as compared with prewar of the animal-fat production in Europe. Contributing factors were the severe drought and extremely low olive-oil output from Mediterranean **areas** in 1945, the disappointing outturn of oilseeds from parts of West Africa, and the generally **short food** situation in India which prevented export of edible and other oilseeds during 1946.

The United States, which had increased production to permit exports during the war, had a smaller lard output in 1946 than in 1945 and reduced flaxseed in the interest of producing wheat to meet the world need for bread grains.

Political unrest in the Netherlands Indies and in Manchuria, transportation and processing difficulties in South America, and short crops in other sections contributed to a restricted supply. The demand for both edible and industrial oils would have absorbed twice the quantities that entered into international trade if supplies had been available.

The outstanding development of 1946 was the rehabilitation of the copra industry of the Philippines which during the year increased exports of copra from a few thousand tons monthly in the first half of 1946 to a level equal to the prewar exports during the last half of the year. October shipments from the Philippines amounted to 118,000 short tons.

Oilseed supplies for much of the calendar year 1947 are already produced in the Northern Hemisphere and are being harvested in the Southern Hemisphere. The 1946 crop of edible-oil seeds in the Northern Hemisphere is only moderately improved from 1945 and the flaxseed crop is considerably smaller. The Argentine flaxseed crop promises to be somewhat larger than it was a year ago, but lack of crushing facilities may delay marketing unless restrictions on the export of oilseeds are lifted.

The United States is planning to increase soybean and flaxseed acreage in 1947. Animal-fat output in the United States and Europe should exceed that of 1946. Copra exports from the Philippines in the course of the next 12 months should reach and may exceed the prewar level, and recovery of the other oil-producing areas in the Pacific should make larger quantities of copra and palm oil available.

Political security, reconstruction of transportation facilities, and reestablishment of commercial channels in China and Manchuria would increase the soybean, rapeseed, and tung oil available for the world market. With better food conditions a resumption of oil exports from India should improve the world situation.

The improvement of the fats and oils supply situation depends largely on favorable conditions for crop production during the forthcoming year, but for the next 12 months per capita fat consumption in most countries will be less than it was before the war. A return to a level of production comparable to prewar output is unlikely during the next year or two.

#### TOBACCO

World production of tobacco in 1946, including the harvest in the Southern Hemisphere during the early months of 1947, is estimated at about 6,653 million pounds as compared with 6,560 million pounds in the prewar period of 1935-39. The present outlook for 1947 is for a crop not greatly



in excess of that in 1946, with increases in some countries but decreases in others. In prewar years about one-sixth of production entered into international trade, but in 1946 the proportion was probably greater and this is expected to be true in 1947.

The principal exporting areas in 1946 were the United States, Brazil, Cuba, Canada, the Dominican Republic, and Colombia of the American Continent; Turkey and India in Asia; and a few countries in southeastern Europe. The remainder of Europe, including the United Kingdom and Eire, were deficit areas as were China, Siam, Indochina, Oceania, and certain countries of North America, Central America, and South America. This situation is expected to continue through 1947 and longer, but at some future date certain of the Asiatic countries may produce surplus supplies. Most surplus countries import some tobacco for special requirements and many deficit countries have some re-exports, but the total of both is small in relation to either production or total international trade.

The upward trend in consumption for those countries where supplies are available is expected to continue, though economic conditions in some countries may cause the trend to be irregular. Cigarette consumption in most countries is increasing, while the usage of pipe tobacco and cigars is generally decreasing. This consumption trend increases the requirements for lighter colored and thinner-bodied tobacco and decreases the needs for dark, heavy-bodied tobacco. Present information does not indicate a reversal of this trend.

The stocks position in deficit countries created a strong demand for the 1946 crop and prices rose in most producing countries. The economic conditions in some importing countries are such that, unless they improve or financial aid is provided, lack of foreign exchange may cause a shrinkage in imports or a reduction in prices paid for tobacco of the 1947 crop.

The trade in some countries is still hampered by various restrictions, such as quotas, allocations of exchange, blocked currencies, preferential tariffs and rationing. Some of these restrictions will probably be continued in certain countries in 1947. Some countries impose restrictions because of economic necessity and others for nationalistic reasons. Until such time as nationalistic trends are reversed and economic conditions permit, international trade in tobacco will be impeded by various governmental restraints for protective purposes or for directing trade into desired channels.

### FRUITS, VEGETABLES, AND NUTS

#### Trade Prospects 1/

Fruit growers of the United States realize more and more that world trade, as well as domestic trade, must be taken into consideration in at-

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1/ This is a summary of a speech made by Monroe McCown of OFAR's Fruit and Vegetable Branch at the Indiana Horticultural Society, Indianapolis, Ind., December 12, 1946.



tempting to evaluate the future of their individual enterprises. Their increasing interest is well-timed, for world trade is in a transition period, and the future of the fruit industry may be affected greatly by the results of international trade negotiations which are scheduled to be conducted during the months ahead.

Although the domestic market will continue to be the outlet for the bulk of the fruit produced in the United States, foreign markets will also be important to the industry, for fruit growers face ever greater domestic competition as the result of increasing production of major fruits. United States production of the 13 non-citrus fruits averaged 8.8 million tons in the 1936-40 period, 9 million in 1941-45, and may reach 10 million tons in 1946. Citrus-fruit production has doubled in each 10-year period for the past four decades, and this rate of increase is continuing. Citrus production averaged 4.8 million tons in the 1936-40 period and 6.7 million tons in 1941-45.

In the period immediately preceding World War II, exports accounted for about one-tenth of the commercial production of apples and pears, one-third of the raisins, two-fifth of the dried prunes, and one-tenth of the canned fruits. Canned peaches and pears accounted for almost one-half of the canned items, with fruit salad, grapefruit, apricots, pineapples, apples, and apple sauce making up the remainder.

Much of the export market for the horticultural commodities was lost during the war. Some revival in our foreign trade in these commodities is occurring, but trade barriers now prevent the full development of the foreign markets for the fruits and fruit products. Among these barriers are excessive tariffs, preferences, import quotas, exchange controls, licensing systems, and State buying.

The duty levied by a foreign nation may be sufficiently low that it is not a serious obstacle to the movement of a product to that country, but one or more of the other types of barriers may essentially close the door to the product. For instance, a foreign country may cut the duty to a very low level in the coming negotiations, but if an import license is required and not granted the duty reduction means nothing.

In November the State Department announced that trade-agreement negotiations with 18 nations are expected to begin next April and invited industry to submit information and recommendations which would aid the negotiators in the trade talks. The fruit and vegetable industry is fortunate in that a large committee, consisting of about 50 persons nominated by the industry and duly appointed by the U. S. Department of Agriculture has already devoted a considerable amount of time to the consideration of foreign trade problems since its appointment in November 1945.

With United States fruit production increasing at a fairly rapid pace, greater development of foreign markets is very important, and industry and

Government working together can broaden these markets so that they will properly supplement the domestic markets for fruits and vegetables and help to maintain a healthful industry.

### Citrus

Early prospects indicate an increased world production of citrus fruits in 1946-47, compared with the 1945-46 crop. Further increases in production can be expected with continued improvement in the supply of fertilizers, other materials, and labor. In Europe and Asia chemical fertilizer continues in short supply.

The 1946-47 United States orange crop, estimated at 125 million boxes, is 11 percent greater than the previous record production of 113 million boxes in 1944 and represents about one-half of the world crop. With the expected crop of 67 million boxes of grapefruit, the United States will have about 90 percent of the world crop; and our lemon crop, estimated at 14 million boxes, should be about one-half of the world total for major producing countries.

Volume export of Palestine citrus has been resumed. With a crop estimated at 10 million boxes, 6-1/4 million boxes are expected to move to the United Kingdom and Eire and about 1-1/2 million to continental Europe. The Spanish orange crop of 16 million boxes is moving mostly to European markets. Greece has an estimated orange crop of 1-1/2 million boxes. Early shipments of Moroccan citrus were moving mostly to the United Kingdom and France. The Japanese orange crop of about 12 million boxes is expected to be marketed entirely in the Asiatic area. In Europe the market has reopened for Brazilian and South African citrus, with about 2-1/2 million cases moved from the latter country during the past year. Export packages generally are reported in short supply in Europe.

Plants in Palestine are producing both orange and grapefruit juice, largely for the British market. In Greece, repair of the war damage to the three juice plants and resumption of operation is reported.

### Apples

The 1946-47 world apple crop of approximately 434 million bushels is about 16 percent smaller than the prewar 1935-39 average production of 517 million bushels.

The North American crop of about 139 million bushels is only about 3 percent below the 1935-39 average. While the trend in production in North America has been downward for a number of years, the present average is expected to be maintained or exceeded slightly during the next 5 or possibly 10 years.

In the major producing countries of Europe, the 1946 apple crop of 266 million bushels shows a drop of nearly 25 percent, compared with the 1935-39



production, largely the result of wartime neglect. Production of this fruit can be expected to increase very substantially during the next few years, assuming that spray chemicals, fertilizers, and labor are readily available.

In the Southern Hemisphere the current crop is expected to exceed by about 20 percent the prewar-average production of 15 million bushels, despite the fact that unfavorable weather conditions have reduced the crop in Argentina.

From 1934 to 1938, the United States exported an average of 10 million bushels of apples, with the United Kingdom the chief recipient of such exports, receiving an average of 4.3 million bushels. Although the war reduced commercial exports to a relatively low figure, shipments abroad are now rising. A total of 1.3 million bushels were exported from the 1945 United States crop of only 68 million bushels, and movement to foreign markets of apples from the 1946 crop may total 3 to 3.5 million bushels.

The United States imported a total of 264 thousand bushels of apples during the 1945-46 marketing season. Of this quantity, Chile supplied 100 thousand bushels, Australia 87 thousand, Canada 63 thousand, and New Zealand 14 thousand. Canada probably will continue to market apples in the United States, but with the reopening of world market the United Kingdom is expected to be an important export market for the Canadian crop as it is in the marketing of the 1946 crop.

#### Dried Fruits

The 1946 foreign production of dried fruits--raisins and currants--was slightly below prewar levels. Raisin production for 1947 is expected to show some increase barring unfavorable weather during the first half of 1947, but currants will continue to be well below the prewar average because of serious war damage to vines in Greece.

International trade in these commodities, while still hampered in some respects, is expected to show further improvements as the economic and political situation in western Europe improves.

Production of dried-tree fruits (apples, apricots, peaches, and pears) in most foreign countries, excepting Argentina, are gradually returning to prewar levels. This tendency is expected to continue and may be accelerated as more fresh fruit can be shipped.

Dried prunes are not expected to show much change in production from 1946. The Balkan countries are not in a position to export any significant quantities to other parts of the world because of the economic and political conditions in those countries. France, the only other European country producing prunes, will be unable to supply more than 25 percent of its normal needs and, provided exchange can be found, may be expected to import prunes.



The production of Argentina and Chile, which is expected to remain at about 1946 levels, will probably be largely disposed of in the neighboring countries. No material change from 1946 is anticipated in Australia and South Africa.

Foreign demand for United States dried prunes will depend largely upon the availability of dollar exchange in foreign countries. At present a slight improvement is anticipated in this respect.

### Nuts

Almonds: the 1946 foreign production of shelled almonds was well above prewar average though somewhat below the all-time record of 1945. Although it is too early to forecast 1947 production, on the basis of past production and weather, a crop slightly larger than average is to be expected.

International trade in almonds has been far below what could reasonably have been expected with an output of 71,400 tons, shelled basis. The limited trade this season is the result of high prices for nuts in Italy and Spain where large quantities have been bought for oil crushing, because of the shortage of olive and other edible oils. In view of the poor prospects for Italy's olive-oil production this season, the same situation will no doubt continue into the 1947-48 season. At present Spain's situation is slightly better in this respect, and as a result a smaller quantity of almonds may be diverted to oil crushing. United States imports of shelled almonds for September and October 1946 totaled 652 tons, compared with 1,519 tons for the same period a year earlier and 9,437 tons for the 1945-46 season.

Filberts: The 1946 production of foreign filberts is estimated at 130,400 tons, unshelled basis, the largest output since 1937, but present indications are for a somewhat smaller crop in 1947.

Foreign trade has been smaller than normal because of the general unsettled economic and political conditions in the principal European consuming countries. In addition, the shortage of all types of edible oils, especially olive oil in Italy and Spain, has diverted large quantities to oil crushers, a situation which may continue into the 1947-48 season unless a marked improvement in the edible-oil supply occurs. United States imports of shelled filberts for September and October totaled 514 tons and unshelled 905 tons, compared with 918 tons shelled and 125 tons unshelled for the same period a year ago, and 4,595 tons shelled and 589 tons unshelled for the 1945-46 season.

Walnuts: The Mediterranean Basin's walnut output in 1946 was near the prewar average, and the 1947 crop may be near the same level. It is much too early, however, to make a reliable forecast. Production data for China are not available.

International trade in walnuts has been at a very low level since the outbreak of World War II and is expected to continue at that level for some time.

With the continued unsettled economic and political situation in walnut-producing areas, there is little hope for an early return to normal trade. The United States importation of walnuts for October 1946 totaled 15 tons of shelled, compared with 239 tons shelled for the entire 1945-46 season.

Other Nuts: During the 1947-48 season, the supply of Brazil nuts is likely to be near the prewar level. A marked improvement was noted in the supply situation for 1946-47, compared with the previous season's. Cashews have been in shorter supply this season, owing to certain restrictions on exportation in India. These limitations, however, may be removed before the 1947-48 gets underway.

### SUGAR

World sugar supplies are expected to show further recovery in 1947 from the disastrously low levels reached at the close of the war in 1945. The 1946-47 crop year production is estimated at 30 million short tons (raw value), or about 12 percent more than the 26.7 million tons in 1945-46. It probably will be several years, however, before production equals the prewar (1935-39) average of 34.7 million tons, because of the difficulties being encountered in rehabilitating the sugar industry in the Philippines, Java, and Formosa, three areas which combined produced an average of 3.8 million tons in prewar years.

European production made a sharp recovery in 1946-47 of nearly 35 percent over the relatively small output of the previous season, and the 1947-48 season is expected to show further increases in the area. There is also a possibility that some other areas may disclose further slight improvement.

With increased world production in 1946-47, larger sugar supplies for consumption in 1947 than were available in 1946 should result. For North America and western Europe, the increase is expected to be about 10 percent more than the 10.9 million tons available in 1946. In the coming year, as in 1946, sugar supplies have to come entirely from production, since there are practically no reserve stocks available, in fact stocks generally have been reduced to bare minimum operating levels.

The Combined Food Board and its successor, the International Emergency Food Council, recommended allocations of sugar for the calendar year 1946 providing for consumption of around 65-70 percent of prewar levels in the major countries where rationing controls are maintained. In some sugar exporting countries and in some importing countries, particularly in Central and South America, wartime increases in purchasing power of consumers has resulted in greatly expanded sugar consumption, a condition expected to continue in 1947, though sugar prices in the latter areas have risen to relatively high levels.

Prices of allocated sugar, though in the main controlled through purchase contracts, have also advanced somewhat in 1946 as a result of the



operation of escalator clauses in the contracts. Since most of these contracts are for from 1 to 3 more years duration, sugar prices are likely to advance only gradually unless there should be a complete decontrol of the distribution of supply.

### COTTON

The calendar year 1947 will straddle two cotton years, 1946-47 and the following one. The supply position for the first half of 1947 is well indicated, but that for the latter half will depend largely upon the crop yet to be planted.

World cotton acreage and production in 1946-47, estimated at 58,400,000 acres and 22,050,000 bales, represented only 72 percent and 71 percent, respectively, of the averages for 1935-36 to 1939-40 and followed an even smaller crop in 1945-46. The two principal factors responsible for the small crop this year were unfavorable weather in the United States, Brazil, and Argentina, and the retention of wartime acreage restrictions (though moderated) in Egypt, India, and Peru, in order to maintain food crop production at a desired level. Favorable cotton prices for this year's crop, general improvement in the world food situation, and strong pressure in Egypt and India to remove cotton acreage restrictions could induce an appreciable increase in the world cotton acreage in 1947.

Cotton consumption is still rising in countries where cotton was lacking or available on a reduced scale during the war, but the increase now appears to be less rapid. Further appreciable gains must await new equipment and more rapid improvement in the labor supply (in parts of Europe) than was reported for the last half of 1946. Consumption in the principal cotton-growing countries was reduced after V-J Day, largely on account of reversion to lighter-weight goods, but is again approaching the record wartime levels. World consumption is expected to reach 27 million bales for the year ending July 31, 1947, or 5 million bales greater than world production.

In 1946-47 world export trade is not expected to equal the 9,038,000 bales for 1945-46, largely because of the heavy stocks accumulated in many of the principal importing countries and the discontinuance of UNRRA purchases of cotton.

Stocks in the United Kingdom, France, China, Switzerland, and Sweden are equal to nearly 1 year's requirements, while those in Italy, Japan, and many smaller importing countries are enough for 3 to 6 months. The tendency in many of these countries is to draw on their stocks while prices remain high. Relatively low stocks in Germany, Poland, Spain, Belgium, the Netherlands, and Canada may encourage heavier imports into those countries in 1947.

Surplus stocks in the United States, Brazil, Egypt and to a small extent in India and the Soviet Union are still sufficiently high to meet all require-



ments of the world's deficit countries to the end of the 1946-47 season (July 31, 1947). A world crop in 1947-48 of less than 27 million bales (a 5-million-bale increase) would probably result in the removal by August 1, 1948, of nearly all export surpluses from producing countries.

Cotton prices in the United States reached a postwar peak on October 2, 1946, when the 10-market average for American Middling 15/16-inch staple was 38.93 cents, compared with a previous record of 41.74 cents (monthly average) for Middling 7/8-inch staple in April 1920. The sharp decline of about 11 cents per pound that took place after the middle of October 1946 was followed by a maximum drop of only 4 cents in Brazil, 3.5 cents in Peru, and 3 cents in Egypt. Price movements in the United States had no apparent effect on prices in India, Mexico, and Argentina, as prices in those countries have remained at the October level or increased. As a result, prices of American cotton, after deduction of the 4-cent-export payment, have been approximately equal in recent weeks to those of competitive foreign growths as quoted in export markets.

Government loans or support prices, in effect during most of the war period in nearly all the major cotton-producing countries, are still in effect, but with the exception of support prices for extra long-staple cotton in Egypt, they remained below the market level in 1946. Government-owned stocks were heavy in Mexico until a few months after the end of the war when the bulk of them were exported. Government-owned stocks are still heavy in Brazil and may be a factor in the provisions of trade agreements recently concluded or being negotiated with a number of European countries. Egypt is the only other country in which large Government-owned stocks may be offered for export in 1947.

### LIVESTOCK AND ANIMAL PRODUCTS

#### Wool

World wool production leveled off in 1946 and was approximately at the prewar level of 3.7 billion pounds. <sup>1/</sup> Stocks, however, were of record proportions. In the early war years, production increased sharply, chiefly in the United States and in the Southern Hemisphere, in response to higher prices to reach a record high level in 1941, and it remained near the 1942 and 1943 peak but since then has fallen off about 10 percent.

Carry-over stocks of apparel wool were very large, totaling 5 billion pounds as of June 30, 1946, or over three times the prewar average. Only about half was in governmental hands, compared with about 70 percent in 1945. Prospects for disposal appear better than at this time a year ago, as a result of a large movement by private buyers in consuming countries to build up stocks of Dominion wools, while British ceiling prices were still in effect. Sales in 1945-46 reached 2.8 billion pounds, grease basis, while sales to private buyers in the United States alone totaled about 700 million pounds.

<sup>1/</sup> Wool produced mostly in the spring in the Northern Hemisphere and in the last half of the same calendar year in the Southern Hemisphere for marketing in 1946-47.

On June 30, nevertheless, governments still held a substantial quantity of wool, 2.7 billion pounds. Of this amount, the United Kingdom Wool Disposals Ltd., created to handle the orderly disposal of the British Dominion wartime accumulations, owned 81 percent and the United States Commodity Credit Corporation 19 percent (all domestically produced). This government-owned wool about equals a world clip of apparel wool. These stocks present a disposal problem for the various governments which was discussed at the International Wool Talks in London, November 11-16, where delegates from 13 interested nations were in full agreement in their desire to avoid excessive price fluctuation. For that purpose an International Wool Study Group was recommended to keep the world position under inter-governmental review.

The more important developments in foreign countries this fall were highlighted by the resumption of open auction sales of current-clip wool in the British Dominions and auction sales of British Joint Organization stocks in the United Kingdom. Demand from continental sources was especially strong with support from the United States and Bradford. Prices at opening sales were materially above appraisement prices and were advancing. The high price for Australian merino wool topped the all-time record price of 1924-25. Sales of South American Wool in the early part of the new season were greatly restricted with prices held at high levels. Buyers are reported as watching developments in the British Dominions and in the United Kingdom. Observers expect, however, that the clip will be sold at prices materially above a year ago.

The high prices realized at the Dominion and London auction sales this fall, especially for fine wools, is expected to level off in 1947 as import requirements lessen. A reduction in fine-wool production of about 12 percent below the prewar average (1934-38) in the principal wool producing countries: Australia, the Union of South Africa, and the United States, together with prospects of average or increased consumption, indicates that prices of fine wools will continue above the prewar average in the next few years.

In the United States total stocks of foreign and domestic apparel wool, reported as of September 30 at 1 billion pounds, were larger than on any earlier date. The increase reflected large imports and small use of domestic wool. Government stocks held by the CCC reached 560 million pounds, compared with 420 million a year earlier.

In the last half of 1946, CCC's selling prices were revised upward, because of the continuing rise in the wool parity price. Sales of CCC wool had been increasing earlier in the fall, owing to the more favorable price relationship between domestic and foreign wools, as the latter had advanced in price.

Wool imports into the United States for the first 10 months of 1946 totaled 928 million pounds, compared with 627 million in the same period of 1945. Of this quantity 708 million pounds was dutiable wool imported for apparel purposes against 536 million a year earlier. About 68 percent of this total was wool finer than 56s.



Milk and Dairy Products

Smaller quantities of milk and dairy products will be available in 1946-47 than in 1945-46. Stocks have been depleted. Milk production in the important supplying countries,--Canada and the United States--is expected to be slightly lower in 1946-47, resulting in a decrease in the exportable surplus. In countries dependent on external sources, reduced supplies from abroad will be somewhat offset by higher production where dairying conditions have improved over a year ago. Better condition of European herds and increased feed supplies should contribute to an increased milk production.

Fluid-milk production in Europe in 1946-47 can be expected to show an improvement over a year earlier. On that Continent pastures generally were better than in 1945 and in most countries there was an increase in cow numbers. The quality of dairy herds has been improved, moreover, by the intensive culling of the past years. Lack of imported feed concentrates tended to limit full realization of anticipated increases in milk production. With favorable winter conditions, the seasonal flush production beginning in the spring months should show substantial gains over a year ago.

Total butter production in 1946 was below last year's. Heavy demands for fluid milk, especially in rationed areas, and an unfavorable price relationship for butter in the United States limited the utilization of milk for butter production during much of the year. Butter production so far in 1946 in Australia, New Zealand, and the United Kingdom has shown substantial gains over a year ago. A moderately larger proportion of the milk production of major producing countries in 1947 may be expected to be processed into butter. Higher production in Denmark, the Netherlands, and New Zealand may result in larger supplies entering world trade.

The quantity of cheese available for foreign trade in 1946-47 may be limited by the lowered production in Canada and by the strong demand in the United States. In Switzerland, cheese production has increased over last year, but cheese exports from European countries will be restricted by their needs to conserve food supplies. Cheese output in Australia in the current year reached a high level, being well above that of a year ago. The quantity available for export from New Zealand is expected to be substantially below 1945-46.

Canned-milk production in both the United States and Canada, the main sources of supply, is lower than a year ago and domestic demand continues high. Dried-milk production has been well maintained in most countries. Supplies have been further augmented by the resumption of production in the Netherlands.

Eggs

Egg production continued at the greatly expanded wartime levels in the grain exporting countries during 1946. Large export requirements and increased domestic consumption strengthened the demand for eggs in these countries, which include the United States, Canada, Australia, and Argentina.



In food deficit areas, notably Europe, egg production showed some recovery in 1946 but was far from adequate, with consumption by nonself-suppliers tightly rationed.

In the 1946-47 consumption year, fewer eggs and egg products will be available than in a year ago. This will reflect the short feed situation last summer, and the absence of stocks of egg products, accumulated for war-time use that bolstered supplies last year. Exportable supplies of eggs in 1946-47 may be about 20 percent below the 500 million dozen that moved a year earlier from the five principal exporting countries. United States egg exports may drop sharply, compared with 1945-46, and with increases in Canada and Australia partially offset, the total may be about 400 million dozen (shell equivalent).

The United Kingdom's import requirements alone may be as much as 450 million dozen. More of these will be shell eggs than previously, with increased supplies from Canada and Eire and some resumption of trade with Poland. From 25 to 50 million dozen shell eggs can be expected to move commercially to other countries.

Egg production on the Continent is still far short of present demand and for the most part remains below prewar levels. Belgium, Sweden, and Norway compare favorably with their prewar production for domestic use; poultry numbers are up to prewar in France, but egg production lags. Denmark and Poland have resumed exports, but a less satisfactory outlook is indicated for Finland, the Netherlands, Switzerland, and Italy.

#### Meat

World meat production for 1947 <sup>1/</sup> probably will be about the same or somewhat larger than in 1946, when production showed a slight increase over the 59.3 billion pounds in 1945. In 1947, Australia and New Zealand are expected to maintain 1946 production levels. While output in Canada for 1947 is expected to drop, the anticipated reduction probably will be less than from 1945 to 1946. Smaller Canadian production will be partially offset by a rise in Argentine output, as improved pastures in the last part of the year and slaughterhouse strikes in the last quarter may result in deferred marketings. United States production may remain at 1946 levels or may even be larger. Continental Europe, Eire, and the United Kingdom can be expected to continue to show greater recovery in 1947 than in 1946.

A generally improved world pasture and feed situation during the middle and latter half of 1946, together with the continuance of a strong demand, has led to some restoration of animal numbers in drought and war-devastated areas, to increased fall breeding of hogs in some areas, and to feeding livestock to heavier weights. Many of the continental European countries have increased animal numbers and are making a gradual recovery, but are yet far from prewar levels. Increased fall breedings of hogs in the United States and other countries will not be reflected in greater

<sup>1/</sup> Excludes Asia and a few relatively unimportant meat-producing countries in Africa and Latin America.

production before late 1947 or in 1948. On the other hand, heavier slaughter weights resulting from increased feeding will be reflected at an early date.

Notwithstanding a generally improved world livestock situation, meat supplies entering into world trade in the 1946-47 season from the principal exporting countries are expected to be smaller than the 5.9 billion pounds exported during 1945-46. <sup>2/</sup> Reduction in exportable quantities will occur principally in the Western Hemisphere, particularly from the United States and Canada.

Imports desired by the United Kingdom and other importing countries for the 1946-47 season in all probability will continue to be in excess of exportable supplies available during the same period. The demand (import requirements) particularly in the United Kingdom, will continue large in the 1946-47 season, but requirements in war-devastated countries in Europe will be less critical, as domestic supplies in Europe are somewhat better than a year ago. Imports of all the importing countries for the 1945-46 season totaled about 5 billion pounds, compared with 3.7 billion pounds for the prewar period, an increase of over 35 percent.

The United Kingdom, the principal importing country, will have little opportunity, if any, to acquire supplies in 1946-47 larger than the 3.5 billion pounds imported in the 1945-46 period. Requirements in 1947 will continue high and relaxing of food rationing would further increase domestic needs. To meet these requirements, the United Kingdom has to rely primarily on supplies from abroad, since domestic supplies for the past season (1945-46) totaled only 2,000 million pounds, compared with a prewar production of 2,815 million pounds.

<sup>2/</sup> Includes the United States, Canada, Australia, New Zealand, Argentina, Brazil, Paraguay, Uruguay, Chile, Denmark, and Eire.











